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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000625

SIPDIS

STATE FOR NEA/IR AND SCA/CEN

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TAGS: [IR](#) [PGOV](#) [PHUM](#) [PREL](#) [TX](#)

SUBJECT: IRAN: HUNGARIAN DIPLOMAT SAYS IRAN STILL
SELF-ASSURED ON THE ECONOMY

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Classified By: Charge Richard Miles, reasons: 1.4(b) and (d).

11. (C) SUMMARY: A visiting Hungarian diplomat from Tehran, accredited to both Iran and Turkmenistan, shared with us his latest impressions of both living and working in Iran. These included his frustration with trying to get an accurate picture of economic conditions there, as well as trying to communicate with the government. The Iranian Government is still misrepresenting the status of the economy to the public, he said, and provides exaggerated and otherwise inaccurate figures to back up its optimistic picture of the state's finances. Notwithstanding the professional challenges, our interlocutor says that he enjoys living in Iran, and shared several anecdotes that give a flavor of daily life there. END SUMMARY.

12. (C) In a recent conversation with Embassy Ashgabat Iran Watcher, a visiting Hungarian diplomat said the Iranian Government continues publicly to paint a rosy picture of the country's economic health, despite contrary indicators everywhere. Szabolcs Tutto, an Economics and Trade officer at the Hungarian Embassy in Tehran, said that Iran's leaders are still "in denial" about the effects of the global financial crisis on the internal economy, particularly regarding the huge drop in oil prices after the peak in July 12008. In certain closed fora, he said, some experts admit that their problems are serious, especially regarding their ability to continue financing state subsidies given the current situation.

13. (C) According to Tutto, after the global financial crisis struck, the Iranian Government stated repeatedly that the country was immune to its effects, and maintained that that Iran is "big and developed and has enough oil and gas to survive." Not long after, however, the Ministry of Economy and Finance held a symposium to discuss the crisis, inviting representatives of all government ministries, as well as foreign diplomats and international organizations. Most of the presentations were by foreign diplomats, sharing their country's experience with and response to the crisis. The Iranian officials, meanwhile, sat quietly and said next to nothing.

14. (C) Recently, while updating an annual economic report on Iran for the Hungarian Foreign Ministry, Tutto was amazed by the lack of information available on the economy: He went to a number of government websites to locate statistics; the most recent information available was from 2007. He called Iran's official economic data "manipulated" and totally unreliable. For general news on economic and other issues, Tutto prefers Iran's English-language press to articles written in Persian: The Persian language, in his view, more often lends itself to over-elaborate syntax, allowing the writer to skirt the issue.

THE MFA: VERY UNHELPFUL

15. (C) Tutto has all but given up trying to meet with or learn anything substantive from the MFA in Tehran: Even when he manages to get a meeting with officials at the geographic bureau covering Hungary -- the normal wait time is two to four weeks after submission of a written request -- his interlocutors (two studied in Hungary and speak the language quite well) appear "distant" and are nervous about discussing anything. Recently, one official had suggested holding a meeting at the Embassy, and seemed displeased when Tutto preferred instead to meet him at the Ministry. In general, the MFA almost never initiates meetings with foreign missions, and its staff seem, in his view, "not to care" about cultivating relationships with diplomats.

A LOVE OF FAXES...

16. (C) Tutto finds economics reporting on Iran frustrating and often pointless because there is so little reliable information available. He, therefore, prefers to focus on the trade promotion side of his job, where he is in frequent

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contact with the Teheran Chamber of Commerce. (There is also an "Iran Chamber of Commerce," that doesn't seem to accomplish much). He finds communication with the Chamber a bit frustrating, however, because its staff, although they have e-mail access, are uncomfortable using it and prefer to send faxes. In fact, he said, most government officials seem to love faxes over any other form of communication. If you send an e-mail to an official, he said, they don't respond.

...AND OF CONFERENCES

17. (C) In Tutto's words, the Iranians are "conference freaks." In the last five or six years alone, he said, they have held 14 large international oil and gas conferences. He has attended a couple of them himself, and said that the organizers use them to tout Iran as a great investment opportunity for foreign energy companies. Often, there are powerpoint presentations with "grandiose plans" for constructing modern oil refineries, as well maps in which Iran is notionally covered top to bottom with a network of gas pipelines.

18. (C) Tutto attended an event recently at which Foreign Minister Mottaki made a brief appearance. As is always the case when the FM arrives at a venue, not only was he surrounded by a bevy of security guards, but all local cell phone networks suddenly went down while he was in the building. The networks went up again only after he had safely departed.

THE (NON)EFFECT OF SANCTIONS

19. (C) According to Tutto, the economic sanctions imposed on Iran are fundamentally ineffective for the simple reason that, with the limited exception of those that make banking operations difficult, they are detrimental to the people rather than the government. Moreover, he said, they have had no effect on the government's behavior. He pointed out that given Iran's heavy reliance on imported gasoline for domestic

consumption -- it imports 40 million liters per day -- sanctions that restricted this would have an impact. He conjectured that, conversely, fuel import sanctions could actually allow the government to limit or end fuel subsidies (as they have wanted to do for some time) and raise the price of gasoline. In his experience, European companies are increasingly "turning a blind eye" to the sanctions, doing business with Iranian entities well beyond the \$200 million ceiling in transactions per entity that is allowed. The Iranian Government frequently notes with confidence that it has trade relations with "15 countries in the region."
"THIS TOO SHALL PASS"

¶10. (C) Tutto has been posted to Tehran for the past 18 months, and in his conversations with Iranians, he finds them on the whole to be "not in a revolutionary mood." Time and again, people tell him that 30 years of Islamic rule constitutes only a "fraction" of Iran's 5000-year history, and so for the time being, most see accommodation, not confrontation, as the best way to deal with their circumstances. Most everyone he speaks with expresses a dislike for Ahmadinejad, mostly for having "ruined" Iran's reputation in the world. They distinguish, however, between Ahmadinejad and the clerical establishment, and have much greater respect for the latter.

¶11. (C) He predicts that Ahmadinejad will prevail in the presidential election, notwithstanding widespread support for Mousavi among urban and educated voters. IRGC and Basij members, who are essentially told whom to vote for, still constitute Ahmadinejad's main base of support, along with Iran's rural voters, who take their cues from the Supreme Leader. In Tutto's view, SL Khamenei is unlikely to shift support away from Ahmadinejad at this point, just weeks away from the election.

WHAT'S YOUR SALARY?

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¶12. (C) In travels around the country, Tutto said that Iranians frequently ask him the same three questions: "Where are you from?" "Do you like Iran?" and "How much do you earn?" (He has taken to responding to the last query by giving a figure that is half of his actual salary, which seems to satisfy most inquisitors.) In general, day-to-day finances are on everyone's mind in Iran. Hyper-inflation continues to make life difficult, and real estate prices have skyrocketed, putting apartments out of reach for many young couples, forcing many to postpone marriage.

TRAFFIC SITUATION MUCH IMPROVED

¶13. (C) Tutto feels fortunate to live and work in an enclosed compound in north Teheran, allowing him to avoid having to deal with Tehran's notorious traffic jams. On those occasions when he has driven into town recently, he has seen a great improvement in the traffic situation, which he attributes to the decision several months ago to deploy the military to control traffic. Much of the congestion had apparently been due to drivers parking any which way along major streets, narrowing the traffic lanes and causing snarl-ups. These days, he said, there are soldiers posted "every 10 meters" along the streets to ensure that no-parking rules are obeyed. The real problem, he said, lies in the utter lack of parking lots in the city and insufficient mass transit.

¶14. (C) COMMENT: Our interlocutor offers a useful and interesting picture of daily life in Iran as a foreign diplomat. He seems to enjoy living and working there, despite the many challenges in doing so. He reiterated that he has never seen a people that "favors the American way of life" more than the Iranians. END COMMENT.
MILES